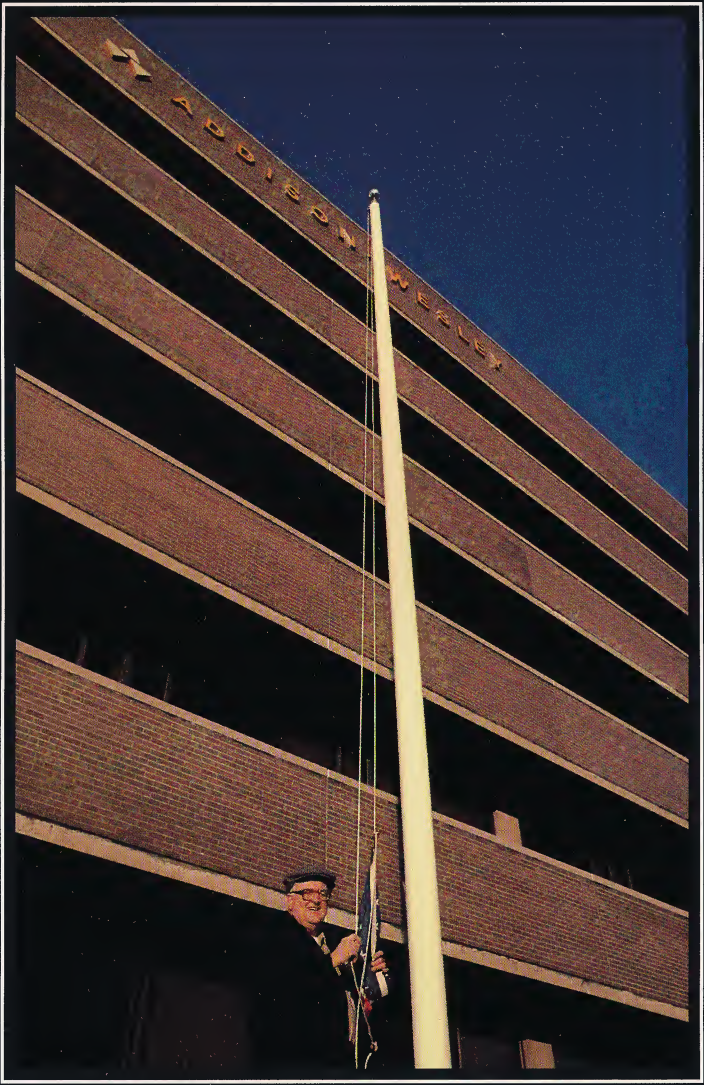
COMDEX 84

Addison-Wesley Publishing Company



1983 Annual Report

Financial Highlights

	Years Ended November 30 1983	1982	1981
Net Sales	$114,346,000	$102,226,000	$91,476,000
Income Before Taxes	11,502,000	9,604,000	8,301,000
Net Income	5,648,000	4,556,000	3,594,000[1]
Per Share			
Net Income	$2.26	$1.92	$1.46[1]
Dividends	.55	.50	.50
Shareholders' Equity	19.42	18.13	16.60
Worldwide Sales			
Higher Education	$ 61,442,000	$ 54,232,000	$46,347,000
School	39,339,000	39,789,000	37,093,000
General Books	13,565,000	8,205,000	8,036,000
	$114,346,000	$102,226,000	$91,476,000

[1] Includes a provision for federal income taxes for the years 1977–1979 of $615,000 ($.25 per share) resulting from Internal Revenue Service adjustments

The Company is an independent publisher of educational materials for elementary and high schools, colleges, industry, and professional markets, as well as nonfiction adult trade and microcomputer software.

Addison-Wesley publications are edited, produced and marketed world-wide through a diversified group of domestic and international divisions and subsidiaries.

The principal business is the publishing of educational materials, and the Company does not consider itself involved in any other industry.

The Company considers its business to be comprised of the following three industry segments: Higher Education, School and General Publishing. In terms of internal organization, the Company's operations are conducted through three Groups: the Educational Publishing Group (which includes the Higher Education and School industry segments), the General Publishing Group, and the International Publishing Group. Each of the three industry segments includes a portion of the business of the International Publishing Group, which business is deemed allocated among the three industry segments based on the nature of the products published and sold. In addition, sales of the World Language Division (part of the International Publishing Group), are allocated between the Higher Education and School segments depending on the nature of the products sold.

The Company's marketing effort for all Groups is based upon direct contact by the Company's sales forces. In addition, the General Publishing Group utilizes outside sales representatives. All Groups use advertising and mail solicitation techniques.

The Company does not believe that its international operations involve any special risks beyond the normal concerns involved with operations abroad.

Front Cover:
Security Guard Ray Maillet
at Corporate Headquarters, Reading, Massachusetts

Back Cover:
Fork lift operator, Jeffrey Raine, at the
Indianapolis Distribution Center

To our Shareholders

Our company continued to expand and prosper in 1983. We fully met our financial goals for sales and earnings, achieving new highs in both. Sales increased to $114 million, or 12% over 1982, and net income of $5.6 million was 24% ahead of the previous year's $4.6 million. Per share earnings were $2.26 versus $1.92 the year earlier.

Domestic sales of higher education products were again sharply ahead. More specific information is provided in discussions to follow, but it is most important to note the sustained record of sales and earnings increases over the last seven years. This has been accomplished in the face of stiff competition and slow growth in enrollments. Our strong position in computer science, general science, and mathematics has contributed a great deal to this success as has a very effective marketing organization.

Total sales of school products could not hope to equal results of 1982 when exceptional sales were realized from the California adoption of our elementary mathematics series. However, increased sales of our elementary reading program and of English for Speakers of Other Languages (ESOL) products did much to offset this. Most important of all, perhaps, was the completion during the year of a major reorganization and streamlining of the division in the interest of achieving greater productivity in our operations. More sharply focused publishing plans were also developed. Elementary and high school educational markets seem promising for the second half of the 1980s, and we are optimistic about our ability to take advantage of these expanding opportunities.

Sales of books to the general public far exceeded our own ambitious goals, primarily because of very strong results from our 1983 titles for the adult trade audience and from our new publishing program of books for the rapidly growing microcomputer market. In addition, great progress was made in developing new publishing plans for the industrial training market and in expanding our program of consumer software products.

International operations achieved excellent overall results, with good sales and profit increases in most parts of the world. Because of uncertain economic conditions around the world, we continue to be cautious in planning and selective in our publishing investments. However, we have accelerated activity in a number of highly promising indigenous publishing programs and intensified the training of our overseas management team for continued growth.

All major divisions of our company, both domestic and international, have moved ahead in the planning, development, and publication of microcomputer software programs. We have established a Technical Resource Center to service the needs of our publishing groups, and in addition to developing our own software products, we have also concluded a number of promising distribution arrangements with independent software companies. We feel confident that electronic publishing will be an important factor in our future growth.

During the year important steps were taken to further strengthen our organization. Changes were made in our divisional structure, and new executive assignments were made to achieve greater coordination of our operations and to strengthen interdivisional support and relationships. Three publishing groups were established.

The Educational Publishing Group will include all domestic educational publishing: Addison-Wesley Higher Education, the Benjamin/Cummings Publishing Company, the School Division, and the Medical/Nursing Division, as well as associated electronic publishing. R. Wayne Oler has been named Chief Operating Officer with overall responsibility for the group. J. Larry Jones, an Executive Vice President, will be in charge of all group publishing activities on the West Coast.

The General Publishing Group will include the General Books Division, the Training Division, and the Microcomputer Books and Consumer Software Division. Ann E. Dilworth, Director of the group, has been appointed an Executive Vice President of the company.

The International Publishing Group includes all publishing companies and publishing activities outside of the United States, as well as our World Language Division. Warren R. Stone has been named President of this group.

Our corporate staff also continued to develop in strength and depth. Ronald N. Woodward was appointed an Executive Vice President and Chief Financial Officer of the company and Lorraine Wassermann, Director of our Human Resources Division, was named a Corporate Vice President.

We expect further gains in sales and profits in 1984. Moreover, we feel that this new operating structure, along with our outstanding group of executives and managers, will help ensure the achievement of our ambitious goals for growth and development in the future. Ultimately, the success of our company depends on the spirit and motivation of all our employees. We think that the people of Addison-Wesley are the best in the publishing industry, and this report is dedicated to them.

Donald R Hammonds

Donald R. Hammonds

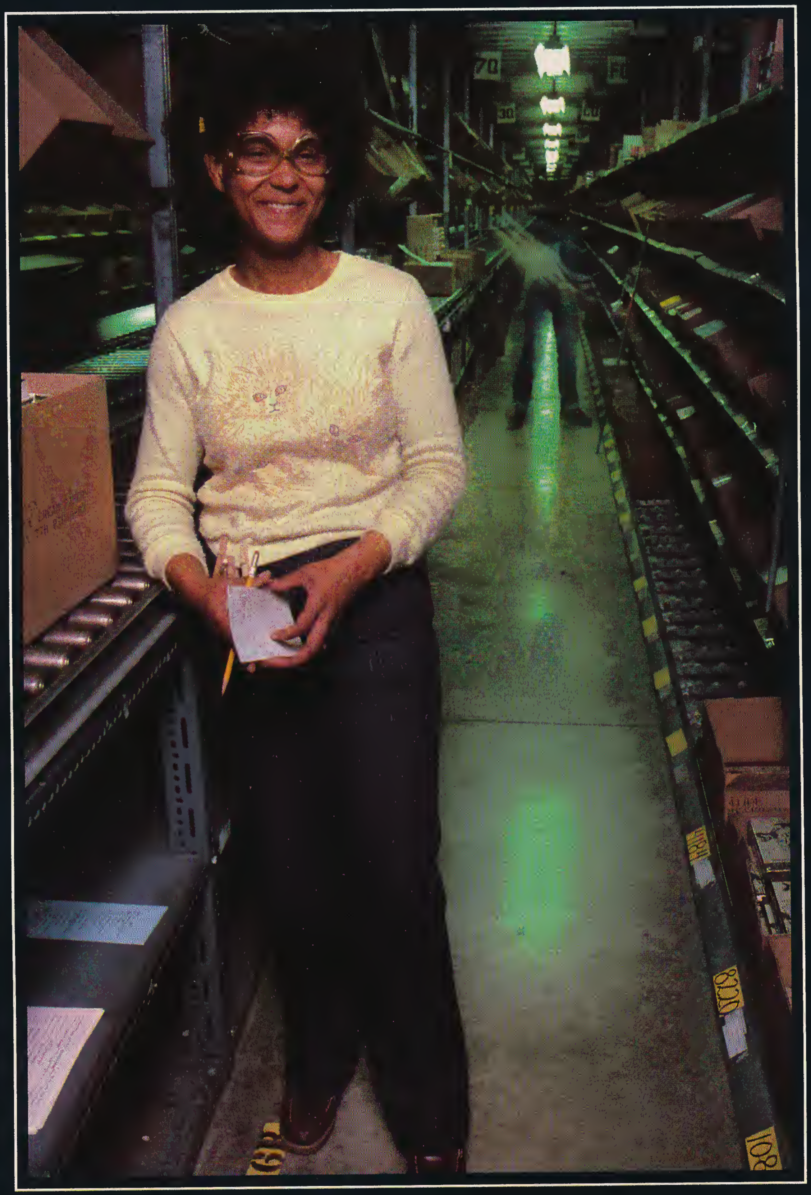
President
Chief Executive Officer

The People of Addison-Wesley

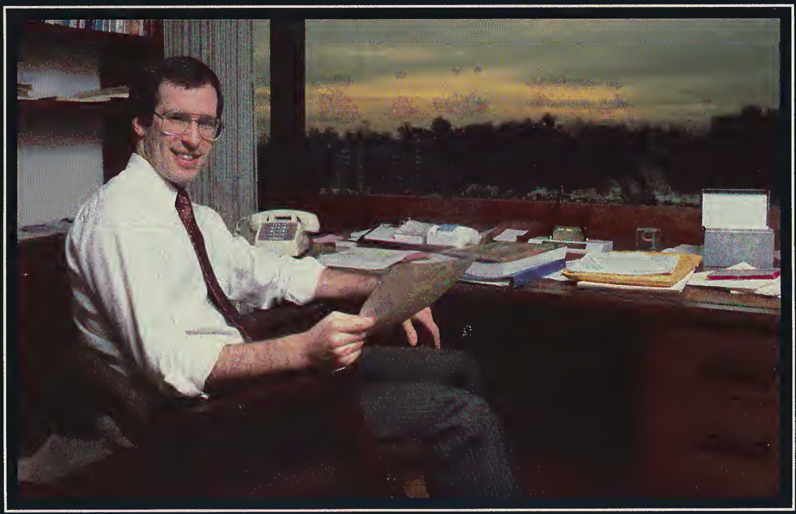
Colleen LeHew, Distribution, Indianapolis Warehouse

Jake Warde, Telemarketing, Higher Education West , Menlo Park Office

Ruth Stevenson, Royalty Accounting, Reading Office



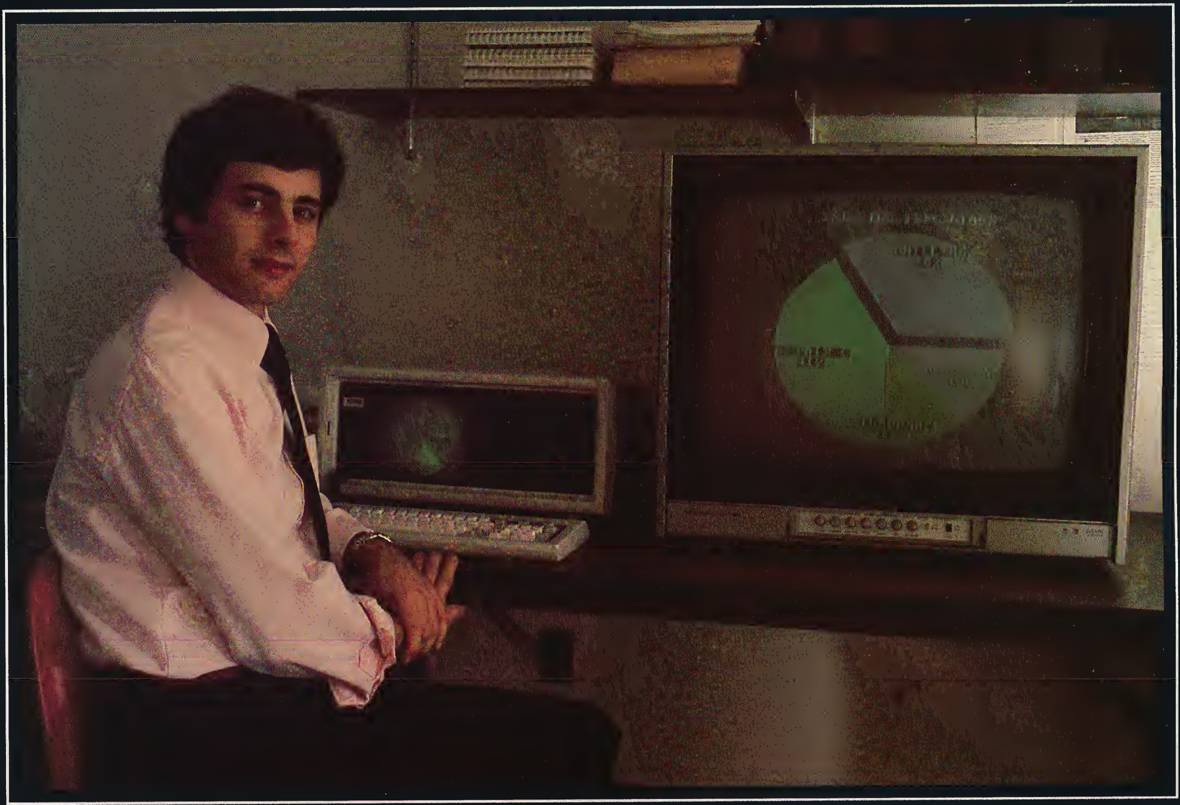
Elizabeth Pepper, Distribution, Indianapolis Warehouse



Jeff Pepper, Editorial, Addison-Wesley Higher Education, Reading Office

Sarah Mallen, Editorial, London Office

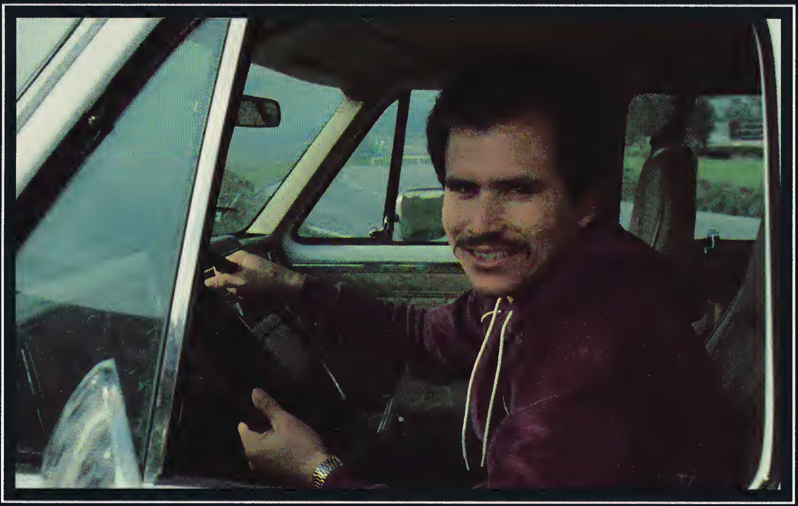
Jane Gillen, Editorial, Benjamin/Cummings Publishing Company, Menlo Park Office



Bruce Canna, Technical Resource Center, Reading Office

Adrienne P. C. Lam, Publishing, Southeast Asia

Southern Regional Sales Representatives, Addison-Wesley Higher Education



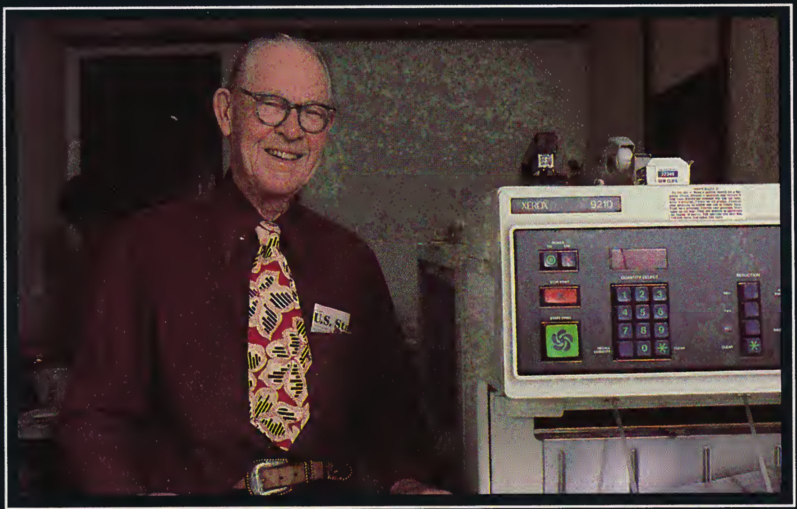
Juan Garcia, Maintenance, Menlo Park Office

Helen Pretty, General Accounting, Reading Office

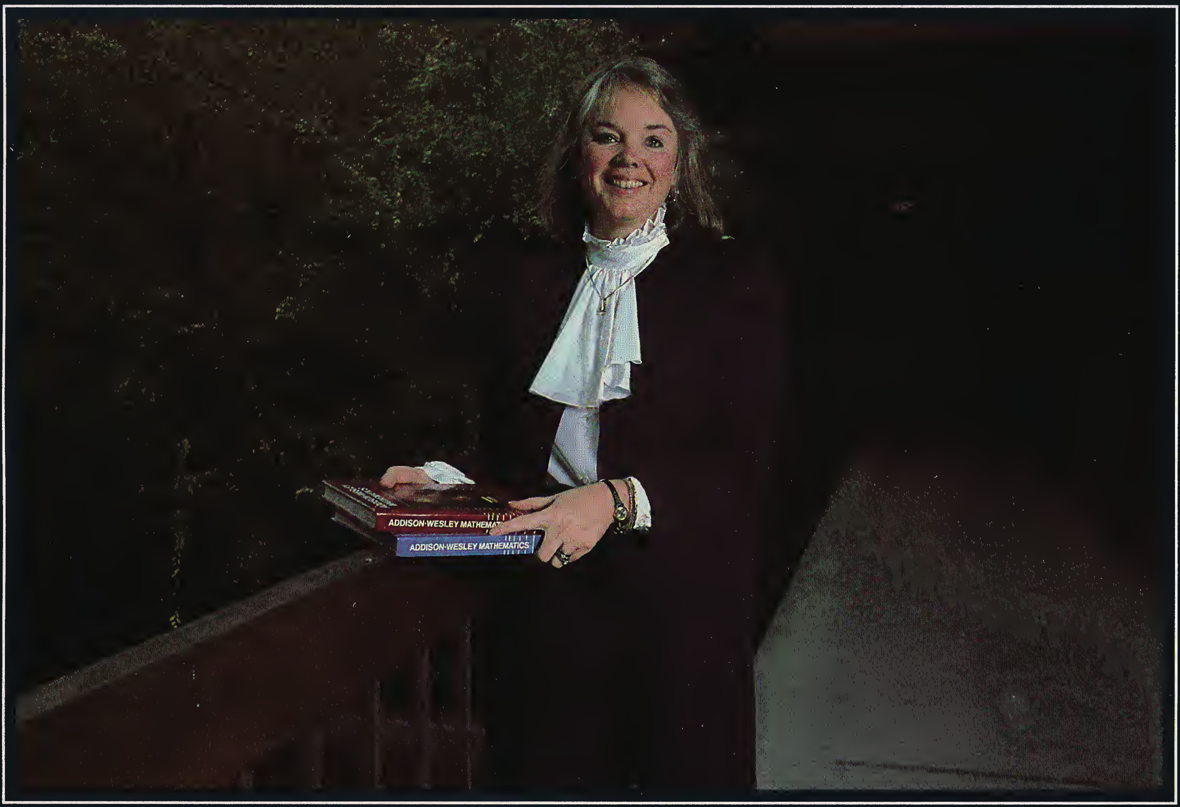
Mary Elizabeth Cleveland, Human Resources, Reading Office

Gunter Fuhrmeister, European Sales, Amsterdam Office

Production Team for *Introduction to Business* by Hodgetts, Reading Office



Ske Taft, Photo Copy Center, Menlo Park Office



Rosalie Whitlock, Editorial, School Division , Menlo Park Office

Alison Betts, Subsidiary Rights, General Publishing Group, Reading Office

The Educational Publishing Group

Higher Education Publishing

Higher Education sales continued to grow strongly. Domestic sales increased 18%, far exceeding the growth rate of the higher education publishing industry as a whole.

Since 1976 our domestic sales have tripled—a performance record we believe few competitors have equaled. We have achieved these gains by increasing market share through internal growth rather than through acquisitions. We are confident that we can continue this pattern of strong growth in 1984.

The people of Higher Education have been a key factor in our success over the last few years. We have strong editorial and marketing operations, dedicated support staffs, effective production groups, and experienced managers. But most important of all, we have been able to attract talented authors who have provided us with programs we have been proud to publish.

Addison-Wesley Higher Education

Our list of 1983 titles lived up to our expectations. Domestic sales were more than one-and-a-half times greater than any previous year's new books.

We were especially pleased with the market's acceptance of new titles such as *Electric Circuits* by Nilsson; *Strategic Management and Business Policy* by Wheelen and Hunger; and several new computer science books. Sales of revisions including *Biology* by Ritchie and Carola and *Health Through Discovery* by Dintiman and Greenberg exceeded our goals by an impressive margin.

Initial market response to our 1984 list is very encouraging. We expect good sales from new titles such as *Organic Chemistry* by Loudon and *Principles of Accounting* by Dupree and Marder, as well as major revisions of *Calculus and Analytic Geometry* by Thomas and Finney and *Introduction to Business* by Hodgetts.

Success requires our constant attention to organizational structure. During the year we completed plans for adjusting editorial and marketing operations to be even more responsive to changing market needs and opportunities. One result of this will be the relocation of some acquisitions editors to regional offices; another result will be the consolidation of developmental editorial groups within the Reading office. We believe that these changes will help us continue our strong record of growth.

The Benjamin/Cummings Publishing Company

Our West Coast subsidiary, which specializes in scientific and technical publications, posted its sixth consecutive increase in sales and profits and continued to outperform the growth rate of the higher education publishing industry. A new title, *Microbiology* by Tortora, Funke, and Case, became number one in its market, and revisions of *Human Anatomy and Physiology* by Spence and Mason; *Invitation to Health* by Combs, Hales, and Williams; and *Our Sexuality* by Crooks and Baur all showed strong sales. In its second year, *Computers and Data Processing* by Capron and Williams posted an exceptional increase in sales.

During the year, most of the programs of the World Science Division were transferred to Benjamin/Cummings, where they now constitute the nucleus of its new Advanced Book Program. The increased range of these publications further solidifies Benjamin/Cummings' position as the leading scientific publishing house on the West Coast. Staff development continued at all levels, as did the creative use of new technologies for greater efficiency and productivity.

Irma Hoijer,
International Rights, Reading

Richard Steeves,
Engineering, Reading

Mary McCugh,
Receptionist, Menlo Park

In 1984 we look forward to another good increase in sales with several new computer titles; a new book, *Biology* by Johnson, Rayle, and Wedberg; and a revision of *Computers and Data Processing.*

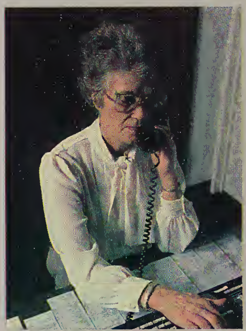
Medical/Nursing Publishing

Our nursing program continued its extraordinary rate of growth in 1983, achieving a 43% domestic sales increase and placing it in the top ranks of the nursing book market. These results have been accomplished primarily with products for student courses. In 1983, with the publication of *The Addison-Wesley Manual of Nursing Practice*, we have entered the much larger practitioner or in-service market. Our medical programs are now focused on basic medical science, selected clinical projects, and emerging opportunities with electronic publishing. Our first clinical software program, *Gas Man* (Anesthesiology) by James H. Philip, M.D., of Harvard Medical School, will be published early in 1984.

SCHOOL PUBLISHING

Good sales increases in our *Addison-Wesley Reading Program*, our *Yes! English for Children* program, and our high school markets did much to offset our expected decline in elementary mathematics sales following our exceptional results in the 1982 California adoption.

During the year we completed work on our major new elementary mathematics series, *The Addison-Wesley Mathematics Program*. This important program has benefited from exceptionally careful editorial attention and marketing research, and we have a high degree of confidence that its publication will ensure our continued leadership in elementary mathematics education.



Jacqueline Kiley,
Switchboard, Reading

Jim O'Gara and Joel Weldon,
School Sales Representatives

There is clear evidence that the trend in public education is toward higher standards and increased emphasis on mathematics, science, and technology—traditional areas of strength for Addison-Wesley. Throughout the year we accelerated our publishing and acquisitions efforts in these disciplines, especially at the high school level, and we contracted for a number of new works by well-known authors.

Further progress was made in 1983 in organizing and developing our electronic publishing unit. In addition to a number of software programs under development, our Innovative Division has signed an agreement with The Learning Company for exclusive distribution rights to certain educational versions of their programs.

In 1983 the Innovative Division continued to develop and publish programs on new topics of interest to educators, such as computers in education, economics, and problem-solving skills. In 1984 we will complete our kindergarten through grade 12 economics list with two new titles, and we will introduce a new program for grades one through eight, *Problem Solving Experiences.*

During the year we completed an overall review of school publishing operations and publishing plans. As a result, we have made changes designed to increase effectiveness and productivity in editorial and marketing procedures and to further the development and training of our people. Our goal is to build the most exciting and innovative school publishing house in the industry.

We will be entering 1984 with a more streamlined organization, and we are optimistic about the prospects for good gains in sales and profits for the division over the next few years.

Barbara Pinkham,
General Accounting, Reading

Maureen Langer,
Production, Reading

The General Publishing Group

Nineteen eighty-three was an exceptional sales year for the General Publishing Group. Domestic sales increased by 69%. In addition, all publishing divisions within the group made good progress in the acquisition and development of new programs and in expanding and strengthening our growing organization.

THE GENERAL BOOKS DIVISION

The trade division had a particularly strong sales year. By year-end we had shipped more than 400,000 copies of *The Mary Kay Guide to Beauty*, and the book had been on the *New York Times* bestseller list for three months. *The Joy of Photographing People* by the Editors of Eastman Kodak sold over 100,000 copies, and *The Fifth Generation* by Feigenbaum and McCorduck sold over 60,000 copies. Our backlist sales remained strong and one book, *Take Care of Yourself* by Vickery and Fries, reached a new milestone as it passed the two-million-copy mark.

Although we cannot hope to match these exceptional sales gains in 1984, we have a promising list of titles, including new books by three bestselling Addison-Wesley authors: William Ouchi, the author of *Theory Z*; Charles Peters, the author of *How Washington Really Works*; and David Elkind, the author of *The Hurried Child*. We will also publish a major book on computer literacy by the Editors of IBM, and a new book, *To Listen to a Child*, by bestselling pediatrician T. Berry Brazelton.

MICROCOMPUTER BOOKS AND CONSUMER SOFTWARE DIVISION

Sales of microcomputer books more than doubled those of the previous year. We published a number of successful new books, including *CP/M and the Personal Computer* by Dwyer and Critchfield, *Discovering Apple Logo* by Thornburg, and *Pascal for BASIC Programmers* by Seiter and Weiss. Also, the backlist remained strong in a market where books quickly become obsolete. In 1984 we plan to publish twice as many new microcomputer books as we did in 1983, and we will also continue to expand our specialized sales force for the computer store and software store market.

Toward the end of 1983 we published our first consumer software programs, *Teach Yourself BASIC on the Apple* and *Dr. C. Wacko's Miracle Guide to Designing and Programming Your Atari Computer Games*. Sales response to both programs has been very positive. In 1984 we will publish a full list of software programs, including *Teach Yourself the Essentials of Accounting*, *Super Strategies for the SAT*, *Applevisions*, and a series of computer games for girls. Also, we will begin distributing the bestselling InfoCom computer novels to the book trade.

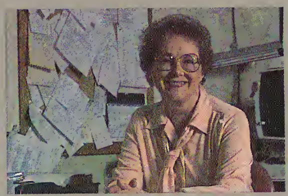
THE TRAINING DIVISION

Although sales of the Training Division did not increase, throughout the year we developed a new strategic design for our training programs and we moved to strengthen our staff. We are in the process of acquiring a number of new programs for this growing market and with these efforts, we expect to be in a good position to take advantage of this market in the future.

John Robertson,
Data Processing, Reading

Karinna De-Jesus,
Sales, Phillipines

Pamela Aliberti,
Human Resources, Menlo Park



Kathleen Durost,
Order Processing, Reading

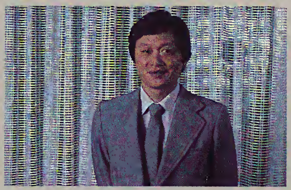
The International Publishing Group

Overall, our International Publishing Group achieved strong gains in sales and profits. This is especially impressive given the continued weakness of other currencies versus the United States dollar and continued instability in many of our markets.

Publications from Addison-Wesley United States and Benjamin/Cummings continued to provide good sales worldwide, and we were pleased that books from our overseas companies, especially our United Kingdom company, sold very well in the American market and throughout the rest of the world. Also contributing to our success was the ability and desire of our managers to strengthen and enhance communication as well as intercompany cooperation in both editorial and marketing activities. During the year we increased local publishing activity and now have new programs underway in each of our major companies.

Addison-Wesley Publishers Ltd (Canada)

Our Canadian company posted another record-breaking year in sales and profits, with both College and General Books Divisions showing impressive sales increases. While elementary/high school sales showed moderate gains overall, local Canadian school product sales grew substantially and now account for a good portion of the division's sales. With vigorous new publishing programs underway in all areas, we are confident of continued growth in this important market.


Lee Seng,
Sales, Southeast Asia


Virginia Johnson,
Editorial, Innovative Division


Zelma Davis,
Cafeteria, Menlo Park


Cy Mawhinney,
Distribution, Canada

Addison-Wesley Publishers, Ltd (United Kingdom and Africa)

Our United Kingdom–based company had healthy sales and profit increases in each of its operating divisions: University/Computers, School, and Export. The University group continued to expand its very successful *International Computer Science Series* and *Microelectronic Systems Design Series*. Especially promising is an arrangement just concluded with IBM Europe to publish a series of books and software for the IBM Personal Computer.

The School division has an ambitious program underway in mathematics, science, computers, and software and has recently secured publication rights to a British Government–sponsored Microelectronic Education Programme, *Information Technology Project for Schools*. The Export group won a World Bank–funded project to publish all the elementary level mathematics texts for the West Africa state of Liberia. And our books authored by the Science Teachers Association of Nigeria have been very well received in that market.

Addison-Wesley Publishers, B.V. (Europe and the Middle East)

Our Amsterdam company, which markets our products into 43 countries in Europe and the Middle East, had a strong year in sales and profits. Along with good penetration of our traditional markets, we had especially impressive results in the Middle East, where sales doubled despite an extremely difficult year in that region. In the second half of 1983 we launched a new translation program of microcomputer books in Dutch, German, and French; in 1984 we plan to expand these programs and to complete plans for publications in Arabic.


Donna Senna, Editorial,
Microcomputer Books


Ann Strunk, Editorial,
World Language Division


June Amazeen,
Order Processing, Reading

Addison-Wesley Publishers Pty. Ltd (Australia)

Despite a substantial devaluation of the Australian dollar in March, sales and profits in United States dollars showed a good increase for the company. Sales of higher education and microcomputer titles were particularly strong, showing significant increases in numbers of copies sold. After an analysis of our priorities as well as market opportunities, the company sold its rights to the Mt. Gravatt elementary school reading program. With a new local program in computer science books as well as a strong list of titles imported from the United States, we expect another good year in 1984.

Addison-Wesley (Japan and Asia)

Although educational budgets were very tight in Japan, we achieved new highs in sales and profits. In 1983 we published our first books for the Japanese market in conjunction with the World Language Division, and we plan to expand our program of books for the English for Speakers of Other Languages (ESOL) market there with the establishment of Addison-Wesley Publishers Japan, Ltd.

Our other Asian operations in Singapore, Malaysia, and Hong Kong also had increased sales and earnings in 1983, and plans are underway to strengthen our marketing and editorial operations there.

Fondo Educativo Interamericano (Latin America)

Latin America continued to be a problem area. With the exception of Puerto Rico, which posted an impressive increase, sales were not strong; in fact, they could not be strong because prudent credit policies limited potential shipments. A great deal of progress was made, however, in streamlining and reorganizing operations, both to limit risks in the near term and to provide a sound foundation for resumption of growth in the future.

Teresa Fuchs, Sales, Africa

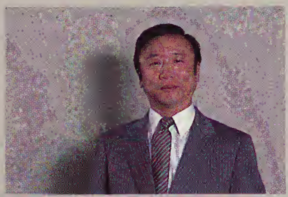
THE WORLD LANGUAGE DIVISION

Worldwide sales for 1983 were up 30% over the previous year, and a good increase in profits was recorded. The Texas elementary school adoption of *Yes! English for Children* contributed significantly to the success of the year and balanced the expected decline in our traditional Latin American market. This edition of *Yes!* is fast becoming one of the bestselling children's series in English for Speakers of Other Languages throughout the world. Our new English program for young adults, *Step Ahead*, is being well received worldwide, as is our broadened product line in general.

Our new initiative in modern foreign languages—French and Spanish—began to bear fruit with good United States sales of Addison-Wesley Canada's highly successful French language series *Vive le Français!* as well as our own editorial programs. In 1984 we will publish the first books in our high school French program, *Accents*; software with four-color graphics to accompany the *Yes!* series; a full-color children's picture dictionary for worldwide markets; and new English language materials specifically for the Japanese market.

This new product, together with our effective marketing operations, both domestic and overseas, makes us very confident of a strong future for the division.

Royce Hargrove, Electronic Publishing, School Division



Masahiro Tsukamoto, Sales, Japan

Margaret Tsao, Production, Reading

Louise Hart, General Accounting, Reading

CONSOLIDATED STATEMENTS OF INCOME AND SHAREHOLDERS' EQUITY

Years Ended November 30, 1983, 1982 and 1981

Consolidated Statements of Income	1983	1982	1981
Net sales	$114,346,000	$102,226,000	$91,476,000
Cost of sales	49,378,000	42,124,000	38,488,000
Selling and administrative expenses	50,446,000	47,237,000	42,327,000
Operating costs and expenses	99,824,000	89,361,000	80,815,000
Operating income	14,522,000	12,865,000	10,661,000
Interest expense	3,020,000	3,261,000	2,360,000
Income before income taxes	11,502,000	9,604,000	8,301,000
Provision for income taxes	5,854,000	5,048,000	4,707,000
Net income	$ 5,648,000	$ 4,556,000	$ 3,594,000
Net income per share:			
Primary	$2.26	$1.92	$1.46
Fully diluted	$2.25	$1.84	—
Number of shares outstanding:			
Primary	2,499,196	2,369,345	2,461,918
Fully diluted	2,507,319	2,477,911	—

Consolidated Statements of Shareholders' Equity

	Common Stock No Par Class A	Common Stock No Par Class B	Retained Earnings	Cumulative Foreign Currency Translation Adjustments	Treasury Stock
Balance November 30, 1980	$424,000	$7,928,000	$32,544,000		$2,544,000
Net income			3,594,000		
Cash dividends			(1,229,000)		
Exercise of stock options		85,000			
Purchase of treasury stock					670,000
Balance November 30, 1981	424,000	8,013,000	34,909,000		3,214,000
Net income			4,556,000		
Cash dividends			(1,181,000)		
Exercise of stock options		60,000			
Sale of stock		368,000			
Purchase of treasury stock					1,061,000
Balance November 30, 1982	424,000	8,441,000	38,284,000		4,275,000
Net income			5,648,000		
Cash dividends			(1,338,000)		
Foreign translation adjustments				$(175,000)	
Exercise of stock options		808,000			
Balance November 30, 1983	$424,000	$9,249,000	$42,594,000	$(175,000)	$4,275,000

The accompanying notes are an integral part of the consolidated financial statements.

Addison-Wesley Publishing Company

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

November 30, 1983 and 1982

Assets	1983	1982
Current assets:		
Cash	$ 1,593,000	$ 1,643,000
Accounts receivable, less allowance for returns and doubtful accounts of $6,033,000 and $4,868,000	26,686,000	24,024,000
Inventories	24,420,000	25,438,000
Deferred income tax benefits	3,947,000	2,921,000
Prepaid expenses	927,000	620,000
Total current assets	57,573,000	54,646,000
Property and equipment at cost, less accumulated depreciation and amortization	9,459,000	9,815,000
Prepublication costs, less accumulated amortization	24,365,000	19,133,000
Advances and other assets	4,326,000	3,382,000
Advances to affiliate	1,473,000	2,120,000
	$97,196,000	$89,096,000

Liabilities and Shareholders' Equity	1983	1982
Current liabilities:		
Current installments of long-term debt	$ 4,382,000	$ 1,290,000
Notes payable to banks	3,068,000	7,230,000
Accounts payable	4,402,000	3,996,000
Royalties payable	10,407,000	9,082,000
Accrued retirement costs	1,422,000	1,512,000
Federal and foreign income taxes	2,996,000	702,000
Other current liabilities	3,926,000	3,097,000
Total current liabilities	30,603,000	26,909,000
Long-term debt	14,755,000	14,238,000
Deferred federal and foreign income taxes	4,021,000	5,075,000
Shareholders' Equity		
Common stock, no par value:		
Class A, authorized and issued 752,682 shares	424,000	424,000
Class B, authorized 3,000,000 shares; issued 2,217,104 and 2,119,937 shares	9,249,000	8,441,000
Retained earnings	42,594,000	38,284,000
Cumulative foreign currency translation adjustments	(175,000)	—
	52,092,000	47,149,000
Less cost of 507,945 shares of common stock in treasury	4,275,000	4,275,000
Total shareholders' equity	47,817,000	42,874,000
	$97,196,000	$89,096,000

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years Ended November 30, 1983, 1982 and 1981

	1983	1982	1981
Working Capital Provided by:			
Net income	$ 5,648,000	$ 4,556,000	$ 3,594,000
Charges to income not requiring expenditure of funds:			
Losses in affiliate	775,000	623,000	—
Depreciation and amortization:			
Property and equipment	981,000	821,000	893,000
Prepublication costs	9,459,000	7,670,000	7,056,000
Increase (decrease) in deferred federal and foreign income taxes	(1,054,000)	1,121,000	151,000
Funds provided by operations	15,809,000	14,791,000	11,694,000
Increase in long-term debt	5,000,000	4,962,000	2,000,000
Issuance of common stock	808,000	428,000	85,000
Total funds provided	21,617,000	20,181,000	13,779,000
Working Capital Expended for:			
Additions to prepublication costs	14,691,000	10,869,000	9,220,000
Additions to property and equipment	625,000	2,077,000	857,000
Decrease in long-term debt	4,483,000	1,290,000	1,291,000
Foreign currency translation adjustments	175,000	—	—
Increase in advances and other assets	944,000	381,000	907,000
Increases in advances to affiliate	128,000	1,605,000	1,138,000
Cash dividends	1,338,000	1,181,000	1,229,000
Purchase of treasury stock	—	1,061,000	670,000
Total funds applied	22,384,000	18,464,000	15,312,000
Increase (Decrease) in Working Capital	$ (767,000)	$ 1,717,000	$(1,533,000)

	1983	1982	1981
Increase (Decrease) in Working Capital:			
Cash	$ (50,000)	$ 783,000	$(2,181,000)
Accounts receivable	2,662,000	2,548,000	938,000
Inventories	(1,018,000)	3,211,000	2,185,000
Deferred income tax benefits	1,026,000	434,000	354,000
Current installments of long-term debt	(3,092,000)	1,000	(1,017,000)
Notes payable to banks	4,162,000	(6,548,000)	503,000
Accounts payable	(406,000)	1,029,000	(478,000)
Royalties payable	(1,325,000)	(1,272,000)	(1,143,000)
Federal and foreign income taxes	(2,294,000)	1,721,000	(1,230,000)
Other, net	(432,000)	(190,000)	536,000
Increase (Decrease) in Working Capital	$ (767,000)	$ 1,717,000	$(1,533,000)

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

Principles of consolidation

The consolidated financial statements include the accounts of the parent company and its wholly-owned domestic and foreign subsidiaries. The Company accounts for its 49% investment in its affiliated company on the equity method. All material intercompany transactions have been eliminated.

Sales returns

The Company's policy is to provide an allowance for estimated sales returns.

Translation of foreign currencies

In the fourth quarter of 1983, the Company changed its method with respect to translating the financial statements of its foreign subsidiaries to adopt the provisions of Financial Accounting Standards Board (FASB) Statement No. 52. With the exception of hyper-inflationary countries, principally in Latin America, where FASB No. 52 requires the continuation of accounting treatment of FASB No. 8, foreign currency assets and liabilities are translated into United States dollars at the rate of exchange existing at the end of the year and all income and expense amounts are translated at the year's average rate of exchange. Translation gains and losses are accounted for in a special stockholders' equity section entitled "Cumulative Foreign Currency Translation Adjustments" and foreign currency transaction gains and losses are reflected in earnings when incurred.

Under FASB Statement No. 8, foreign currency assets and liabilities are translated at year end rates of exchange except amounts relating to inventory and property, plant and equipment which are translated at historical rates; income and expense amounts are translated at the year's average rate of exchange except for depreciation and amortization and cost of sales which are translated at historical rates; and translation and transaction gains and losses are reflected in earnings when incurred.

This change had the effect of increasing net income in 1983 by $130,000 or $.05 per share. Foreign exchange gains (losses) included in income in 1983, 1982 and 1981 were not material. The financial statements for the years ended November 30, 1982 and 1981 have not been restated. Had the provisions of FASB Statement No. 52 been applied retroactively, the effects on net income for those years would not have been significant.

Changes in the cumulative foreign currency translation adjustments components of shareholders' equity for 1983 were as follows:

Cumulative foreign currency translation loss as of November 30, 1982, net of taxes	$ (41,000)
Translation adjustments resulting from exchange rate changes	(248,000)
Income taxes related to above	114,000
Cumulative foreign currency translation loss as of November 30, 1983	$(175,000)

Inventories

Inventories are stated at lower of cost (first-in, first-out) or market.

Depreciation and amortization

The Company provides for depreciation primarily on accelerated methods by charges to expense which are sufficient to write off the costs of the assets over their estimated useful lives as follows: Buildings and improvements, 20–40 years; furniture and equipment, 3–10 years. Amortization of a leasehold interest in land is computed on a straight-line basis over the life of the related lease.

Prepublication costs

Prepublication costs include copy editing, certain writing costs, art, composition and camera work necessary to prepare a book for publication and are generally amortized over three years from publication date.

Income taxes

Deferred income taxes arise from income tax and financial reporting differences principally with respect to prepublication costs, inventory revaluations and sales returns.

The Company does not provide for federal income taxes on the accumulated undistributed earnings of its DISC subsidiary ($4,527,519 in 1983, $4,024,000 in 1982 and $3,638,000 in 1981) since the Company intends to permanently invest such earnings in a manner that will permit the indefinite postponement of federal income taxes (see note 6). Federal income taxes which would be payable upon distribution of the undistributed earnings of the Company's Canadian subsidiary ($3,867,000) would be offset by foreign tax credits.

Net income per share
Primary earnings per share are based upon the weighted average number of Class A and Class B common shares outstanding and common stock equivalents (stock options). Fully diluted income per share assumes conversion of all eligible outstanding dilutive stock options.

2. Inventories (in thousands):
Inventories consist of the following:

	1983	1982
Finished goods	$22,263	$23,126
Work in process	501	575
Paper	1,656	1,737
	$24,420	$25,438

3. Property and Equipment (in thousands):
Property and equipment consist of the following:

	1983	1982
Land	$ 1,144	$ 1,144
Leasehold interest in land	647	652
Building and improvements	13,272	13,183
Furniture and equipment	5,113	4,652
	20,176	19,631
Less accumulated depreciation and amortization	10,717	9,816
	$9,459	$9,815

4. Notes Payable and Compensating Balances:
The Company has formal lines of credit under which $3,000,000 was outstanding at November 30, 1983 (interest at 10%), $7,230,000 in 1982 (interest at 9.75% to 12.25%) and $682,000 in 1981 (16% interest). Interest on the lines of credit is at various market based rates not to exceed prime. The monthly average amount of notes payable outstanding was $15,449,000 in 1983, $14,276,000 in 1982 and $6,673,000 in 1981, and the monthly average interest rate on these borrowings was 10.1% in 1983, 12.4% in 1982 and 17.3% in 1981. The maximum amount of notes payable outstanding at any month end was $25,000,000 in 1983, $26,000,000 in 1982 and $13,000,000 in 1981. The Company maintains compensating balances under formal arrangements which approximate 5% of the credit utilized under the line of credit.

5. Long-Term Debt (in thousands):
Long-term debt consists of the following:

	1983	1982
13¼% senior note, due 1993, interest payable semiannually, principal $1,250,000 payable annually	$15,000	
Note payable to bank under revolving credit agreement, interest 9.73% in 1982	—	$10,000
9½% mortgage note, due December, 1983	2,807	3,865
5⅚% mortgage note, due 1987, interest payable quarterly, principal $49,000 payable quarterly	744	930
6½% mortgage note, due 1987, interest payable monthly, principal $9,000 payable monthly	479	578
5½% mortgage note, due 1985, interest payable monthly, principal $1,800 payable monthly	35	58
7½% Canadian mortgage note, payable monthly, including interest through July, 1986	72	97
	19,137	15,528
Less current installments	4,382	1,290
	$14,755	$14,238

The 13¼% note payable contains provisions requiring the maintenance of certain working capital and net worth amounts. The note restricts, among other things, the total of declarations or payments of cash dividends and acquisitions of common stock to 50% of net income of the then most recently ended fiscal year. In addition, the Company has agreed to certain restrictions on the maximum level of long-term indebtedness. At November 30, 1983, $2,210,000 of retained earnings is available for payment of dividends and purchases of treasury stock in 1984. Long-term debt maturing within each of the five years subsequent to November 30, 1983 is as follows: 1984—$4,382,000; 1985—$1,587,000; 1986—$1,593,000; 1987—$1,492,000; 1988 and in sub-

sequent years—$10,083,000. Certain of the Company's land and buildings, which at November 30, 1983 had a net book value of approximately $5,955,000, are pledged as collateral for the mortgage notes.

6. Income Taxes (in thousands):

The provision for income taxes consists of the following:

	1983	1982	1981
Federal-current	$5,737	$2,747	$3,325
State-current	260	291	225
Foreign-current	1,332	1,323	1,360
Federal/foreign deferred	(1,475)	687	(203)
	$5,854	$5,048	$4,707

Based upon Internal Revenue Service adjustments completed through 1981, fiscal years 1983 and 1981 include additional provisions for federal income taxes of $200,000 and $615,000 respectively.

Investment tax credits which are recognized on the "flow-through method" reduced the current federal provision by $61,000 in 1983, $70,000 in 1982 and $64,000 in 1981.

Deferred income taxes arise from the following sources:

	1983	1982	1981
Prepublication costs	$(290)	$ 788	$193
Inventory revaluations	(426)	127	—
Sales returns and allowances	(565)	(259)	(142)
Other	(194)	31	(254)
	$(1,475)	$687	$(203)

The following is a reconciliation of the statutory federal income tax rate and the effective income tax rate:

	1983	1982	1981
Federal statutory income tax rate	46%	46%	46%
State income taxes, net of federal tax benefit	1	3	1
IRS adjustments	2	—	7
Effect of foreign losses without tax benefit	2	4	—
Foreign income taxes at rates other than the U.S. statutory rate	1	2	2
Other, net	(1)	(2)	1
Effective income tax rate	51%	53%	57%

7. Common Stock:

Class B common stock is entitled to elect three directors and has such other limited voting rights as are given it by law. Class A common stock has full voting rights and elects three to seven directors. Except as to voting, the rights of the two classes are equal share for share.

During 1982, the Company sold 37,000 shares of Class B common stock to certain key officers at full market value on date of sale. Interest bearing promissory note agreements were entered into with these employees covering the purchase of stock over a period of five years.

8. Stock Options and Employee Stock Purchase Plan:

The Company's incentive stock option plans provide for the granting of options to key employees at 100% of market price on the date of grant. Options are exercisable cumulatively one-third each year on the anniversary date of grant and expire no later than ten years from the date of grant. During the year, options for 19,000 shares were granted at prices ranging from $19.00 to $22.75 per share. Options for 97,167; 8,454 and 11,433 shares were exercised in 1983, 1982 and 1981, respectively, at prices ranging from $7.25 to $10.12. At November 30, 1983 options for 150,780 shares at prices ranging from $7.25 to $22.75 per share were outstanding, of which options for 107,513 shares were exercisable.

In 1983, the Company adopted an employee stock purchase plan subject to the approval of the shareholders at the next annual meeting. Under the plan, full-time employees may elect to have up to 10% of their annual salary withheld during each of the next two years. The stock purchase price of $24.625 was established based upon the market price as of December 1, 1983. The maximum number of shares of Class B common stock available under the Employee Stock Purchase Plan is 25,000 shares.

9. Retirement Plans:

The Company maintains retirement plans covering substantially all its employees, including certain employees located in foreign countries. The total pension expense for the year was $747,000 in 1983, $1,108,000 in 1982 and $1,065,000 in 1981 which includes amortization of prior service cost over a period of 30 years. The Company's policy is to fund pension cost accrued. A comparison of accumulated plan benefits and plan net assets at the year-end of the Company's domestic defined benefit plan as reported in the most recently completed actuarial valuation report dated December 1, 1982 is presented below:

	1983	1982
Actuarial present value of accumulated plan benefits:		
Vested	$3,739,526	$3,176,170
Nonvested	376,441	338,645
Total	$4,115,967	$3,514,815
Net assets available for benefits	$7,018,383	$5,345,057

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7.0 percent in 1983 and 1982.

10. Industry Segment and Geographic Area Information (in thousands):

The Company operates in three publishing industry segments, Higher Education, School and General Publishing, as described on the inside cover of this report.

INDUSTRY SEGMENTS

	1983	1982	1981
Worldwide Sales			
Higher Education	$ 61,442	$ 54,232	$46,347
School	39,339	39,789	37,093
General Publishing	13,565	8,205	8,036
	$114,346	$102,226	$91,476
Income before Taxes			
Higher Education	$12,157	$10,495	$ 9,024
School	2,138	2,906	532
General Publishing	2,544	1,107	2,022
Corporate Expenses	(5,337)	(4,904)	(3,277)
	$11,502	$ 9,604	$ 8,301
Assets			
Higher Education	$41,104	$38,783	$33,896
School	40,844	37,549	32,248
General Publishing	5,483	4,459	2,905
Corporate Assets	9,765	8,305	7,087
	$97,196	$89,096	$76,136
Capital Expenditures			
Higher Education	$ 6,759	$ 6,583	$ 5,043
School	7,067	5,345	4,493
General Publishing	1,290	868	447
Corporate	200	150	94
	$15,316	$12,946	$10,077
Depreciation and Amortization			
Higher Education	$ 4,920	$ 4,043	$ 3,677
School	4,134	3,735	3,589
General Publishing	1,237	609	500
Corporate	149	104	183
	$10,440	$ 8,491	$ 7,949

Sales are principally to unaffiliated customers worldwide. Sales between segments are not material. Income before taxes, by segment, is total revenue less direct and allocated operating expenses; corporate expenses include interest and other general corporate operating expenses.

Losses related to the Company's Mexican affiliate of $775,000 in 1983 and $623,000 in 1982 are classified as Corporate Expenses in the Segment Presentation and are included in Selling and Administrative expenses in the Consolidated Statements of Income.

Assets identified with each segment are those used directly or allocated, and corporate assets consist principally of deferred tax benefits and property not allocated to segments. Capital expenditures by segment consist principally of prepublication costs.

GEOGRAPHIC AREAS

	1983	1982	1981
Sales			
United States	$ 93,011	$ 82,816	$69,030
Canada	11,310	10,180	9,382
Other Foreign	10,025	9,230	13,064
	$114,346	$102,226	$91,476
Income before Taxes			
United States	$12,912	$12,198	$ 6,820
Canada	3,915	3,618	2,286
Other Foreign	12	(1,308)	2,472
Corporate Expenses	(5,337)	(4,904)	(3,277)
	$11,502	$ 9,604	$ 8,301
Assets			
United States	$69,044	$63,916	$54,294
Canada	4,481	4,359	4,072
Other Foreign	13,906	12,516	10,683
Corporate Assets	9,765	8,305	7,087
	$97,196	$89,096	$76,136

The Company sells to customers in the United States and overseas through its branches and subsidiaries. Intercompany sales are not significant. Export sales from the United States to unaffiliated export customers amounted to $3,522,000 in 1983, $3,073,000 in 1982 and $3,593,000 in 1981. The revenue and profits derived from export sales are included in the United States amounts. Furthermore, due to the change to the equity method of accounting, sales and related profits of the Mexican affiliate to its customers are excluded beginning in 1982. In addition, sales by the Company to its Mexican affiliate of $96,000 in 1983 and $1,204,000 in 1982 are included in the United States amounts.

11. Advances to Affiliate:

At November 30, 1983, the Company had $1,473,000 of outstanding advances to its Mexican affiliate. These advances are dollar denominated and represent sales by the Company to the affiliate. Management continues to plan to liquidate these advances through editorial, selling and administrative services performed by the affiliate on behalf of the Company. However, despite the performance of these services in 1983, due to the economic conditions in Mexico as well as lower than planned sales and earnings of the affiliate, the Company has provided an additional $775,000 reserve against the affiliate's debt.

In 1982, the Company recognized a $623,000 loss as a result of the sale and operating loss of the affiliate. The $623,000 represents a $305,000 loss on the sale of 51% of the affiliate and a $318,000 loss attributable to its remaining 49% equity.

12. Quarterly Financial Information (Unaudited):

Selected quarterly financial information for fiscal 1983 and 1982 is shown on page 28.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To The Board of Directors and Shareholders of Addison-Wesley Publishing Company, Inc.:

We have examined the consolidated statements of financial position of Addison-Wesley Publishing Company, Inc. as of November 30, 1983 and 1982 and the related consolidated statements of income, shareholders' equity and changes in financial position for each of the three years in the period ended November 30, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Addison-Wesley Publishing Company, Inc. at November 30, 1983 and 1982 and the consolidated results of its operations and changes in its financial position for each of the three years in the period ended November 30, 1983, in conformity with generally accepted accounting principles applied on a consistent basis, except for the change, with which we concur, in the method of translating foreign currency financial statements as described in Note 1 of Notes to Consolidated Financial Statements.

Coopers & Lybrand

Boston, Massachusetts
January 20, 1984

Quarterly Operating Results (Unaudited):

The Company's operations are seasonal, with the major portion of the total sales occurring in the third quarter.

		1983	1982
Net sales	First quarter	$ 17,825,000	$ 15,373,000
	Second quarter	18,728,000	18,237,000
	Third quarter	50,301,000	44,699,000
	Fourth quarter	27,492,000	23,917,000
Operating income (loss)	First quarter	$ (3,300,000)	$ (3,658,000)
	Second quarter	(2,383,000)	(1,573,000)
	Third quarter	17,642,000	15,806,000
	Fourth quarter	2,563,000	2,290,000
Net income (loss)	First quarter	$ (1,629,000)	$ (2,126,000)
	Second quarter	(1,539,000)	(1,261,000)
	Third quarter	8,115,000	7,660,000
	Fourth quarter	701,000	283,000
Primary income (loss) per share (1)	First quarter	$ (.69)	$ (.89)
	Second quarter	(.64)	(.53)
	Third quarter	3.24 (2)	3.27
	Fourth quarter	.28	.12
Fully diluted income (loss) per share (1)	First quarter	$ (.69)	—
	Second quarter	(.64)	—
	Third quarter	3.24	—
	Fourth quarter	.28	.11 (3)

(1) Primary and fully diluted income (loss) per share for 1983 has been restated due to the Company's adoption, in the fourth quarter of 1983, of Financial Accounting Standards Board Statement No. 52 "Foreign Currency Translation".

(2) Restated ($.11) to include the effect of stock options treated as common stock equivalents in computation of primary earnings per share.

(3) Based upon the ending market price of the Company's stock, fully diluted earnings in the fourth quarter were $.11 per share.

Stock Market and Dividend Information

The Company's Class B common stock is traded in the over-the-counter market; there is virtually no public market in its Class A common stock. The market quotations in the following table are as reported in The Wall Street Journal for shares of Class B common stock. The dividends shown were paid on outstanding shares of both Class A and Class B common stock.

	Market Quotations*				Dividends per Share**	
	1983		1982			
	High Bid	Low Bid	High Bid	Low Bid	1983	1982
1st Quarter	$18.50	$16.00	$10.50	$ 8.75	$.125	$.125
2nd Quarter	27.00	17.25	11.00	8.75	.125	.125
3rd Quarter	29.00	22.75	10.00	9.00	.15	.125
4th Quarter	24.75	21.00	16.00	10.00	.15	.125

Shareholders of record as of January 27, 1984 were 87 Class A and 2005 Class B.

* These are interdealer prices and do not reflect actual transactions.
**See Note 5 of Notes to Consolidated Financial Statements.

A copy of the Company's current 10-K Report, as filed with the Securities and Exchange Commission, is available without charge to any shareholder upon written request to the Executive Office, Addison-Wesley Publishing Company, Inc., Reading, Massachusetts 01867.

Addison-Wesley Publishing Company

FIVE YEAR SELECTED FINANCIAL DATA

Years Ended November 30 (in thousands except per share data)

Summary of Operations	1983	1982	1981	1980	1979
Net sales	$114,346	$102,226	$91,476	$80,011	$67,774
Cost of sales	49,378	42,124	38,488	34,203	28,776
Selling and administrative expenses	50,446	47,237	42,327	35,418	31,792
Operating costs and expenses	99,824	89,361	80,815	69,621	60,568
Operating income	14,522	12,865	10,661	10,390	7,206
Interest expense	3,020	3,261	2,360	2,007	1,852
Income before income taxes	11,502	9,604	8,301	8,383	5,354
Provision for income taxes	5,854	5,048	4,707	3,953	2,250
Net income	$ 5,648	$ 4,556	$ 3,594	$ 4,430	$ 3,104
Net income per share:					
Primary	$ 2.26	$ 1.92	$ 1.46	$ 1.80	$ 1.26
Fully diluted	$ 2.25	$ 1.84	—	—	—
Dividends per share	$ .55	$ .50	$ .50	$ .50	$ .50
Other Financial Data					
Net income as percent of sales	4.9%	4.5%	4.0%	5.5%	4.6%
Working capital	$ 26,970	$ 27,737	$26,020	$27,553	$27,691
Total assets	97,196	89,096	76,136	70,684	65,133
Long-term debt	14,755	14,238	10,566	9,857	12,131
Shareholders' equity	47,817	42,874	40,132	38,352	35,119
Number of shares outstanding:					
Primary	2,499,196	2,369,345	2,461,918	2,466,537	2,459,281
Fully diluted	2,507,319	2,477,911	—	—	—
Sales by Industry Segments (Worldwide)					
Higher Education	$ 61,442	$ 54,232	$46,347	$40,646	$34,793
School	39,339	39,789	37,093	33,680	30,121
General Publishing	13,565	8,205	8,036	5,685	2,860
	$114,346	$102,226	$91,476	$80,011	$67,774

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Fiscal 1983 compared to 1982

Net sales of $114.3 million in 1983 represented a $12.1 million or 12% increase over 1982. The Higher Education and General Publishing industry segments reported strong sales gains in 1983 while the School segment registered a moderate decline. Higher Education sales increased $7.2 million or 13.3% over 1982 as successful revisions and new publications plus price increases more than offset normal declines in the prior year's product lines. The Company, with its strength in math, science and computer publications, continued to benefit from the rapid technological changes in the 80's. General Publishing sales increased $5.3 million or 65% over 1982 levels as both the adult trade and microcomputer book product lines experienced significant volume increases. School sales declined $450,000 or 1% below 1982 levels as domestic shipments of the math program dropped 8% below 1982. This comparative decline, principally due to the high 1982 sales to California, was partially offset by sales gains of the Addison-Wesley Reading Program. The sales mix in 1983 was comparable with 1982, as volume and price increases shared equally in $12.1 million sales gain.

Operating income rose $1.9 million or 20% over 1982 levels as sales gains more than offset moderate increases in divisional operating expenses and higher royalty and prepublication expenses. The Higher Education segment posted a $1.6 million or 15% income gain over 1982 as sales grew 13.3% while operating expense increased only 12.7%. School income declined $768,000 below 1982 primarily due to a reduction of rights income from the State of California. General Publishing income rose $1.4 million chiefly as a result of a $5.3 million sales increase. International income registered a $1.6 million comparative profit improvement as a result of a $1.9 million sales increase coupled with lower operating expenses. Operating expenses declined as a percent of sales, especially in the United Kingdom and Canada, due to price increases as well as the strength of the U.S. dollar which reduced local operating expenses measured in U.S. dollars. In addition, reorganization of the Latin American operating structure, in light of continued economic problems, reduced operating expenses 20% below 1982 levels.

Interest expenses declined $241,000 or 7% below 1982 levels due to lower interest rates and revised inventory management procedures.

Income taxes rose $806,000 to $5,854,000 in 1983 versus $5,048,000 in 1982, however, the effective tax rate declined from 53% to 51% principally due to a restructuring of the company's Latin American organization.

Net income of $5,648,000 represents a $1,092,000 or 24% increase over 1982. Earnings as a percent of sales rose from 4.5% to 4.9%.

Fiscal 1982 compared to 1981

Net sales of $102.2 million in 1982 represented a $10.7 million or 11.7% increase over 1981. Each industry segment contributed to the favorable performance in 1982. Higher Education sales increased $7.9 million or 17% over 1981 as the incremental volume in both revised and new publications plus price increases more than offset historical declines in the prior year's product lines. School revenues increased $2.7 million over 1981 based upon continued growth and market penetration of the Addison-Wesley Math and Reading Programs. General Books realized a moderate sales gain in 1982, despite recessionary market conditions, posting sales of $8.2 million. The worldwide sales growth of $10.7 million versus 1981 was achieved through volume gains of $6.3 million coupled with price increases of $4.4 million.

Operating income of $12.9 million in 1982 represents a $2.2 million or 21% increase over 1981. This profit performance was realized as sales growth more than offset higher expenses for royalties, selling, and administrative expenses. Significant income contribution increases over the prior year by the Higher Education and School Publishing Groups more than offset operating losses in Latin America and declines in profits in other international areas.

Interest expense increased $901,000 over 1981 due to higher debt requirements necessary to finance greater working capital needs and prepublication investment costs.

Income taxes were $5,048,000 in 1982 compared to $4,707,000 in 1981. The effective tax rates for 1982 and 1981 were 53% and 57% respectively. The principal reason for the effective tax rate of 53% in 1982 was operating losses of Latin American subsidiaries which cannot be tax effected. The effective tax rate of 57% in 1981 was due principally to Internal Revenue Service adjustments for the years 1977, 1978 and 1979.

Net income of $4,556,000 represents a $962,000 or 27% increase over 1981. Earnings as a percent of sales rose from 4.0% to 4.5%, resulting in earnings per share of $1.92.

Fiscal 1981 compared to 1980

Net sales were $91.5 million in 1981, an increase of $11.5 million or 14% over 1980 sales of $80 million. The largest gain was in the sale of Higher Education books and materials which increased 14.0% from $40.6 million to $46.3 million. School sales of $37.1 million were 10.1% higher than the $33.7 million sold in 1980. General Books sales reached $8.0 million, up 41.4% from 1980. The increased sales in fiscal 1981 reflects both higher unit sales and higher prices.

Cost of sales increased $4.3 million, 12.5%, a slightly lower rate than sales, while other operating expenses increased $6.9 million, 19.5%, a higher rate than sales. All divisions had increases in editorial, marketing and general administrative expenses, reflecting strong editorial commitments, intensified marketing efforts, especially at the Higher Education and School levels, and, of course, continued inflationary pressures.

As a result of the higher rate of increase in operating expenses as compared with the rate of increase in sales, operating income for the company as a whole was $10.7 million vs. $10.4 million, slightly ahead of a year ago.

Interest expense increased $353,000 due to record interest rates and higher borrowings used primarily to finance increases in prepublication costs, accounts receivable and inventories in fiscal 1981.

Overall, income before taxes was slightly lower in fiscal 1981 than 1980, $8,301,000 vs. $8,383,000. Higher Education's income before taxes was $9.0 million (20% of worldwide sales) compared with $8.9 million a year ago. The School sales increase was more than offset by higher costs, especially marketing, resulting in a drop in income before taxes from $1.6 million to $.5 million. General Books, benefiting from a 41% sales increase doubled income before taxes to $2.0 million from $1.0 million last year.

Income taxes were $4.7 million compared to $4.0 million in 1980, 57% and 47% of pre-tax income respectively. The higher effective rate in 1981 is due primarily to the additional tax reserves of $615,000 provided in connection with a pending settlement with the Internal Revenue Service covering a review of federal income tax returns for the three years ended November 30, 1979.

Net income was $3.6 million in 1981, 4% of sales, $1.46 per share. In 1980, net income was $4.4 million, 5.5% of sales, $1.80 per share.

The Company's business requires large investments in inventory and prepublication costs. The impact of inflation in these investments is reduced by price increases on our products.

Liquidity and Capital Resources

Working capital declined $767,000 or 3% below 1982 year-end levels principally due to a $1,018,000 reduction in inventory levels. An accounts receivable increase of $2,662,000 was offset by a decline of short-term debt of $1,070,000 and a net liability increase in federal and foreign income taxes of $1,268,000.

Total debt declined $553,000 below 1982 levels as improved inventory and cash collection procedures coupled with overall profitability growth, more than offset higher prepublication expenditures.

The Company's policy is to provide sufficient working capital resources to meet current sales levels as well as to invest in new and revised publications to enable continued growth and market penetration.

The Company's short term cash requirements are seasonal. Sales to schools and colleges are concentrated in the summer months, while cash disbursements for inventory and selling expenses are made early in the year in anticipation of these sales.

The Company has sufficient lines of credit to meet its seasonal needs and cash flow pattern in 1984. Furthermore, we believe the revised working capital controls implemented in fiscal 1983 will continue to reduce short-term debt requirements in 1984.

Corporate Officers


Melbourne Cummings


Donald Hammonds


George Bryson


Ann Dilworth


Larry Jones


Wayne Oler


Robert Podsen


Warren Stone


Lorraine Wassermann


Leslie Wilson


Ronald Woodward

Photography: Marshall Henrichs
Design: Ned Williams

It is the policy of Addison-Wesley to recruit, hire, train, and promote employees without regard to age, race, color, religion, sex, or national origin, and to ensure equal employment opportunity for all persons including handicapped individuals, disabled veterans, and veterans of the Vietnam era.


RAYMOND